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Development of a strategy of import substitution

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Abstract

The paper studies the problem of developing a strategy of import substitution. The dynamics of the gross domestic product and export-import operations has been investigated. From our data we have concluded that it is necessary to use advanced production technologies in the industry of Russia. A general conclusion has been made concerning the system classifying alternative strategies of import substitution. This paper was carried out within the state scientific task No 26.2671.2014/K "Theoretical and methodological basis for the development and implementation of a cluster-based policy at the regional level and scientific and methodological foundations of the tools of the structural benchmarks of the regional social and economic system".

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1. Introduction

The policy of import substitution is connected with increase in profits of domestic industry. Supporters of the given concept have contended, that sustainable economic development of the state is possible only on the basis of the increase of the level of industrial self-sufficiency and increase the output of its own products. The strategy of self-sufficiency in the instability is generated by the processes occurring in the world economy, skeptical attitude to foreign capital. All this dictates the need for increased attention to the public sector in the industry, strict regulation of foreign capital participation involvement to in the industrialization. The policy of replacing imports of industrial

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products of local production is accompanied by the protection of domestic industry from the effects of the global market.

Industrial import substitution was proclaimed as one of the goals of economic development in the theoretical models developed by such representatives of neo-Keynesian school, like Chenery, Bruno, Carter. In the 60-70-ies of XX century they was offered economic growth model with two deficits. That model interpreted economic development as the gradual replacement of external sources of financing by domestic as imports substitute by domestic. Bridging the gap of savings and the trade deficit in this model was associated with external borrowing, while the internal resources of the country are not taken into account. Most Russian scientists also do not see an alternative to the industrial import substitution in relation to the growth prospects of the national economy.

In the economic literature can be found different interpretations of the concept of "import substitution". Kadochnikov understands the process of import substitution as "increase in production and domestic consumption of domestic products while reducing the consumption of imported goods (in physical terms)". According to Zaitsev DN "under the import substitution can be understood relative decrease or cessation of import of certain goods in connection with the organization of production of the same or similar goods on the site».

From our point of view, under the import substitution it should be understood, first of all, the production increase of local products while reducing the consumption of imported goods (only for goods for which substitution is possible and economically feasible). Consequently, the import-substituting products are the products of domestic manufacturers, replacing import analogue market because of their more attractive consumer properties.

In the case of import substitution at the stage of production there is the concept of "import-substituting element." The import substitution element means at par of the product or imported service, which can be replaced by domestic analogues. Accordingly, an import-substituting element is a domestic analogue.

As an import-substituting elements may act as raw materials, components, equipment, intangible assets, technology, certification, outsourcing, which the company uses in the design and production (consulting, engineering, market research).

The ultimate aim of import substitution as a factor of integration of Russia into the global market segments is the growth of the competitiveness of national industries and further export of national products on the world market.

It has not been considered as a long-term economic strategy in countries that have successfully implemented a policy of import substitution. It was necessary to protect domestic producers and economic independence. However, international experience, and research results confirm that in a modern open economy, import substitution as an end unproductive, indeed, unacceptable to pursue a policy of economic isolation. Import substitution policy must create a system of incentives to support national production of import-substituting products. These products must be competititve in foreign markets.

2. Results and discussion

We analyzed the economic development of the BRICS, which allows a number of conclusions (Table 1). GDP growth rates are relatively low in Brasil and similar to those of South Africa. This indicates that, despite the serious financial problems in these countries have managed to create not only competitive in the foreign market economic model, but also a large domestic market. China is more inclined to the open economy model with a high share of imports and exports in GDP, due to its geographical proximity to Russia and the hosting of numerous affiliates and subsidiaries, both Russian and American industry, successfully cooperates with local manufacturers.

Table 1 - Dynamics of GDP and the ratio of exports and imports in the BRICS countries in 2012-2014.

Country	The rate of growth of GDP, in% prev. year			GDP per capita,dollars. US			Value of exports and imports, %		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Brazil	1,8	2,7	0,1	12104	11892	11571	108,7	101,0	98,3
Russia	3,4	1,3	0,6	13976	14494	12874	157,1	153,3	161,6
India	13,1	13,6	11,5	1486	1499	1633	61,2	69,8	…

China[1]	7,7	7,7	7,4	6264	6995	7595	118,5	119,4	125,3
South Africa	2,2	2,2	1,5	7592	6890	6483	96,3	93,2	93,6

[1]2014 - a preliminary assessment of the National Bureau of Statistics of China.

In India, the ratios of exports and imports are slightly lower and generally behind the indicators of the BRICS countries. In Russia, there is a sufficiently high level of GDP per capita, so in the ratio export operations of exports and imports is dominate. Thus, the performance of the BRICS countries differ heterogeneity and much more dependent on imports.

Over the past decades marked differences in growth rates and directions of foreign trade activities of Russia have been. These trends have led to considerable shifts both in the geographical and commodity structure of foreign trade turnover of Russia.

For the first fourteen years of the new millennium, the Russian Federation consistently drove their trade positive balance. It refers to the balance of export-import operations between Russia and foreign countries. In general, the dynamics and geographical structure of Russia's foreign trade are as follows (Table 2).

Table 2 - Dynamics of Foreign Trade of the Russian Federation in 2000-2014 years (mln. dollars. USA)

Countries	2000	2005	2010	2011	2012	2013	2014
Imports from the countries - major trade partners							
1. Germany	3898	13272	26699	37683	38305	37917	32963
2. The Netherlands	740	1941	4442	5925	5977	5837	5248
3. China	949	7265	38964	48202	51628	53173	50884
4. Italy	1212	4416	10043	13402	13432	14554	12723
5. Turkey	349	1732	4867	6360	6860	7273	6651
6. US	2694	4563	11097	14584	15366	16502	18497
7. France	1187	3673	10043	13276	13804	13012	10743
8. India	557	784	2143	2786	3041	3094	3172
9. Brazil	388	2346	4067	4389	3359	3493	3969
10. South Africa	71	147	473	465	686	782	691
Exports to the countries - major trade partners							
1. Germany	9232	19736	25662	34158	34995	37027	37124
2. The Netherlands	4349	24614	53974	62695	76886	70126	67962
3. China	5248	13048	20326	35030	35766	35625	37505
4. Italy	7254	19053	27476	32658	32301	39314	35746
5. Turkey	3098	10841	20317	25350	27419	25476	24448
6. US	4644	6324	12320	16425	12867	11135	10679
7. France	1903	6111	12420	14859	10535	9203	7578
8. India	1082	2314	6392	6080	7563	6983	6341
9. Brazil	259	606	1798	2125	2304	1985	2366
10. South Africa	34	25	46	115	279	286	285

Since 2000 growth rates of foreign trade turnover between the Russian Federation and Germany have increased. In 2014 exports of Russian products to Germany exceeded import. In 2014 China imported 1.5 times more products in Russia than Russia exports exported. The turnover of imports from the USA increased from 2000 in 9 times, while exports of Russia in the USA only in 2 times. Thus, the expansion of cooperation with foreign countries is one

of the priorities of the foreign trade and foreign economic relations of Russia, which are set on three levels: the CIS, neighboring countries, CIS countries. The share of CIS countries accounted for about 1/4 of the total volume of foreign trade turnover of Russia.

The potential of the Russian economy on the formation of import-substituting industrial policies is high enough.

One of the important directions of import-substituting industrial policy is to reduce the technological dependence on foreign suppliers. Although some enterprises can not create competitive industries in the domestic market technology, in general, the dynamics of creation and the use of advanced production technology does not allow to hope for a speedy results Technology exchange in Russia is slowing down. It reduces the number of advanced manufacturing technologies used in manufacturing. A number of developed manufacturing technologies is growing, but in most cases this technology, the new Russia, but does not allow competitiveness on foreign markets.

Objectively contribute to the implementation of the industrial policy of import-substituting the following factors:

- Positive stable dynamics of labor productivity;
- Financial stability of the country, which enables the implementation of a targeted industrial policy to stimulate domestic demand for domestic products, and exports of industrial products competitive for a long period;
- Deterioration of macroeconomic conditions, particularly the downward trend in energy prices, which stimulates both import substitution and the replacement of the low level of exports processed products of higher level of processing to increase the share of value added and technological level;
- Russia's participation in the European and world "technology platforms", her involvement in global processes of technological exchange, which allows, if not to create new advanced manufacturing technologies to effectively replicate the existing ones.

Factors of choice of strategic directions of development of import substitution in different companies and industries are different, but they can be divided into two groups. The external uncontrolled factors include market forces (demand for domestic and foreign markets, competition in the industry), the system of state regulation of export-import transactions (the level of protection of domestic markets, the level of export promotion). The internal factors applied to the resources of the enterprise are (investment resources, production capacity, technology, skilled employees), system of management enterprise(the system of strategic goals and objectives of the quality management system).

Reserves of increase of efficiency of activity of the company is at the stage of import substitution production of individual or multiple elements of the product. At the enterprise import substitution can be organized in one of two directions: the transition to the use of available on the market domestic analogs, the organization of domestic production of import-substituting elements.

The most important condition of import substitution is the ability to provide quality and recognition of domestic analogs on foreign markets, especially in markets abroad. At the same time it should be noted that there are differences in the perception of the level of quality in geographical terms. That is the level of quality that is acceptable for domestic consumption and consumers, for example, from the CIS countries, does not satisfy the demands of consumers, such as the EU, the US.

The effectiveness of import substitution at the production stage is defined by the effect of the resulting saving of resources in terms of money for use in the production of import-substituting element based on the volume of production within the time interval scheduling (compared to the resources spent for the purchase of imported counterparts), and investment costs for the organization of its Production.

It should be noted that the organization of import-substituting products "from scratch" in today's economic environment is complicated by the lack of investment resources. The most important direction of development of import substitution should become the location of production of import-substituting products based on existing companies. The implementation of the strategy of import-substituting industries is possible in two main ways: with a focus on investment demand and with a focus on stimulating consumer demand.

The Russian industrial enterprises can offer three options of import-substitution strategy: the strategy internal of import substitution, the strategy external of import substitution, strategy of mixed import substitution. Strategic directions of development of import substitution and identification of measures is reduced to determining the classifications of import-substituting products and target markets.

3. Conclusions

In this way, the basic principles of the implementation of import-substituting industrial policy in Russia are:

- deindustrialization, increase in the share of industry in GDP and advanced from a technological point of view of production in the industrial structure;
- Stimulating domestic demand for industrial enterprises, including "subsidies" of prices and the system of public order;
- Long-term of the activities, allowing to attract long-term investments;
- Keeping a high degree of openness of the economy. Development of cooperation with foreign partners in the areas of technological exchange, scientific cooperation and the creation of advanced manufacturing technologies. Keep in mind that the creation of simulated restrictions on the import and export of technologies reduces the efficiency and competitiveness of products;
- State support of export of competitive industrial products.

It can be concluded that the import-substituting industrial policy is a tool for improving the competitiveness of the national economy and ensure the security economic of the country.

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